

July 21, 2006

Maine Milk Commission Special Meeting Minutes  
Deering Building, Room 233  
Augusta, Maine 04333

Notices for the July 21, 2006 meeting were distributed to Commission members, intervenors and other interested parties June 23, 2006 and sent to the Secretary of State's Office for posting on June 23, 2006.

Notices for the July 21, 2006 Public Hearing on Rule 26 Producer Margins were distributed on June 20, 2006 and sent to the Secretary of State's Office for posting on June 20, 2006, to be published June 28, 2006.

**Commission Present:** Colon Durrell, John Joseph Jr. and Shelley Doak *ex-officio*.

**Commission Absent:** Chair, Michael Wiers and Katherine O. Musgrave.

**Department Officials:** None

**Staff Present:** Stanley Millay, Executive Director, and Carol Gauthier administrative assistant

**Legal Counsel:** Lucinda White, Assistant Attorney General not present.

**Intervenors Present:** John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy and John Economy, Garelick Farms.

**Others Present:** Dale Cole, dairy farmer and President, Galen Larrabee, dairy farmer and board member and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were Dr. Timothy Dalton from the University of Maine, John & Allaire Palmer, Harold Larrabee, Walter and Edna Fletcher and Charlotte Bosworth, dairy farmers. Cheryl Beyler, Executive Director of the Maine Dairy and Nutrition Council was in attendance as well.

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Meeting called to order at 1:40 p.m. by acting chair, Colon Durrell, who opened the Public Hearing on Rule 26, Cost of Milk Production in Maine.

Dr. Timothy Dalton presented the latest costs associated with producing milk in Maine. He stated that the Maine Cost of Production indices rely upon United States Department of Agriculture (USDA) producer price indices for calculation. The most recent final indices are for May 2006. He indicated that final indices for June would likely be published in late July within the ten-day comment period following this hearing. He went on to testify that based on the final May indices, the short-run breakeven (SRBE) cost of production for the small farm is \$18.55, an increase of \$1.43 from the current \$17.12. For the medium size farm the SRBE cost of production is \$16.12, an increase of \$1.15 from the current \$14.97. For the large farm the SRBE cost of production is \$15.34, and increase of \$1.06 from the current \$14.28.

Julie-Marie Bickford, representing the Maine Dairy Industry Association, in her written testimony, encouraged the Commission to adopt the most recent calculations on the cost of producing milk in Maine as presented by Dr. Dalton. She reminded the Commission of the extraordinary costs facing dairy farmers due to energy and weather, and presented examples of a number of cost inputs such as low milk prices, higher electricity costs, higher cost of fertilizer and seeds as well as transportation costs.

John Palmer, a member of the fourth generation on the family's Highland Dairy farm in Cornish, told the Commission that they milk 200 jersey cows and have experienced a dramatic increase in their costs during the past year due to

weather and energy related costs while milk prices have declined. He explained that the state's stabilization program was a "life saver" and he urged the Commission to adopt Dr. Dalton's updates to it.

Galen Larrabee, a Knox dairy farmer, testified that he supports Dr. Dalton's numbers. He went on to say that he has heard from a number of dairy producers in his area all of whom are suffering from the same problems that are facing his family's farm i.e. weather, low milk prices and higher costs related to energy. He reported that they are very discouraged.

He also urged the Commission to increase the cost of production adjustment by at least 19 cents per hundredweight for the month of August while the cost of production rule is going through the revision process.

Dale Cole, dairy producer and MDIA President reiterated what had already been offered in testimony, and urged adoption of Dr. Dalton's numbers. He went to add that the dairy stabilization program had saved many Maine farms from going out of business. He also explained that Dr. Dalton's numbers did not take into consideration weather related problems such as costs of re-planting and poor forage quality.

No other testimony was received. Chairman Durrell reminded those present that a 10-day written comment followed and would close July 31<sup>st</sup>. Hearing closed at 2:05 p.m. Chairman Durrell opened the regular Commission meeting at 2:05 p.m.

**Agenda Item 1: Minutes:** Shelley Doak made a motion to accept the minutes of the May 19, 2006 meeting. John Joseph seconded. Motion passed 3-0.

**Agenda Item 2: Lucinda White, Assistant Attorney General:** No report.

**Agenda Item 3: Minimum Prices:** The prevailing premium is \$1.10/cwt on Class I for August 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for August 2006 of \$0.9248. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Dale Cole asked that the producer cost of production margin that was \$1.16/cwt for July milk be moved higher by \$0.19/cwt to \$1.35.

Tom Brigham asked for an explanation of the rationale for increasing the cost of production adjustment. He stated that he would like to see justification and evidence that would support such an increase.

Julie-Marie Bickford told the Commission that fuel prices, and costs related to fuel, weather and other factors that were just presented in the public hearing on producer costs were reasons for the Commission to increase the adjustment.

John Joseph made a motion to accept schedule #08-06 as presented except that the producer cost of production adjustment be increased from \$1.16cwt to \$1.35cwt. It includes a \$14.22/cwt Class I Price, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$18.27/cwt. Shelley Doak seconded.

John Economy told the Commission that \$1.35 is not good for the processors.

John Blake reminded the Commission that he has testified in the past against increasing the cost of production adjustment because of the impact it has on Maine processors versus out-of-state processors. He stated that he opposed the increase.

Tom Brigham pointed out that he was concerned about the process and with how the Commission simply grabs numbers that are thrown-out without benefit of any methodology or facts.

Dale Cole told the Commission that dairy producers were just trying to recover their costs the same as retailers and processors.

John Joseph stated that he made the motion to increase the cost of production margin based on the fact that the Class I price had declined. Motion passed 3-0.

**Agenda Item 4: Maine Monthly Price Survey:** The Commission reviewed the Maine price survey for June 2006 which included prices for Augusta and Bangor.

**Agenda Item 5: Next Scheduled Meetings:**

- August 2, 2006, Wednesday 10:00 a.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- August 21, 2006, Monday 10:00 a.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- September 22, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- October 20, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources
- November 17, 2006, Friday 1:30 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources

**Agenda Item 6: Other:**

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins Producer Margins:** Dr. Dalton up-dated the Commission on the Dealer margin study. He reported that a survey has been sent to each processor. Plant costs will be assembled and the data analyzed. Updates will be provided to the Commission monthly. A final report will be completed by fall. Producer Margin study was not discussed other than at the public hearing earlier.
3. H.P. Hood Promotion was not discussed.

**Agenda Item 7: Executive Session:** The Commission did not go into Executive Session. Adjourned: 2:20 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.